

Retirement Abroad

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**Seeing the
Sunsets**





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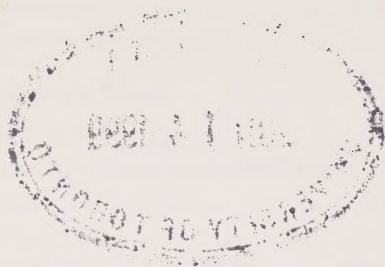
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Introduction

Canada is on the verge of a dramatic increase in the number of people reaching retirement. The first of the postwar baby boomers are now over 50. Over the next two decades, an unprecedented number of Canadians will reach the "normal" retirement age of 65. Many are already opting for early retirement.

The majority of retirees choose to spend the rest of their lives in Canada, often moving out of large urban areas to smaller regional centres; others opt for semi-retirement, staying active in their profession or trade on a part-time basis. However, a significant number decide to live in another country, either permanently or for part of each year.

Family or cultural ties are sometimes incentives to retirement

abroad. Since Canadians come from all parts of the world, there are few nations that are not potential destinations for retirement. Some of the countries that are Canada's major sources of immigrants are also the main retirement destinations. Lebanon, the United Kingdom, France and Germany are examples.

Those who retire abroad for other than family or cultural reasons tend to be clustered in countries that offer a combination of low after-tax living costs and a warm climate. In some cases, an existing Canadian expatriate community helps to mitigate the cultural isolation that can otherwise make life difficult. Countries in this category include Mexico, Costa Rica and some Caribbean island nations.

Before You Go

Reasons for Retiring Abroad

Retiring abroad holds many potential pitfalls for those who choose a destination on the basis of a dream rather than on that of sound planning. In general, those

who consider only the financial benefits of moving overseas are more likely to experience disappointment than those who retire abroad for lifestyle or cultural reasons. Whatever your motives, careful research is essential, and the availability of the Internet

makes it more practical than ever to carry out a detailed evaluation before you leave.

If you are retiring as a couple, do this research together so that both of you fully understand what your choices involve. Recognizing and preparing for potential difficulties ahead of time is much easier than dealing with disappointment, or even a crisis, later.

Coping with Culture Shock **Get Involved**

Study some aspect of the local culture, such as art, music or sports.

You will meet new people and get a stronger feeling of belonging.

Many Canadians who are living abroad for the first time are surprised at the cultural isolation that they experience. This can make the normal adjustments from a career to full-time leisure even more stressful. Before you go, make sure you understand the social environment where you will be living. Are you prepared to be in a minority and to be treated as a foreigner? Do you make new friends easily? Are

you open to different ways of doing things? Can you handle a much slower pace of life and a high level of bureaucracy? All these are questions you need to think about before deciding to retire abroad.

Destination

There are various factors that you need to consider before making a final decision about where to retire. If possible, spend some time in the country where you are thinking of retiring before you make any major commitment. It is a good idea to go in the off-season to see if you are prepared to live there all year round.

If climate is one of your considerations, you can obtain reliable weather statistics on the Internet. Be sure to consider the situation year-round. Many countries with warm winters are hot and humid in the summer and the cost of air-conditioning is often prohibitive.

Immigration regulations vary greatly from one country to another. Before you leave, make sure you understand all the regulations of the country you have chosen for retirement.

Finances

Taxation and the cost of living are related issues. Many developing countries lack the resources to collect taxes on foreign-source income, so they compensate by imposing high consumption taxes or import duties. Make sure you take into account all taxes, duties and fees, as well as the withholding taxes you will pay on income originating in Canada.

You also need to take into consideration how much it will cost you in terms of communications and travel for you to stay in touch with your family and friends in Canada.

Medical Advice

It is a good idea to have a medical checkup before you go. You also need to plan carefully for your health needs once you have left Canada. Many nations have health-care systems that most Canadians would consider inadequate. The cost of medical care outside Canada can be extremely high. Arrange for adequate private health-care coverage before you leave Canada. Take copies of your prescriptions and an initial supply of non-prescription medicines.

Find out well in advance of your departure date if you need any special vaccinations or preventive medications for such illnesses as yellow fever, typhoid, meningitis, Japanese encephalitis, hepatitis or malaria. An International Certificate of Vaccination may be a legal requirement to enter certain countries. You can obtain this information from your doctor, from the Canadian Society for International Health at **(613) 241-5785**, from the Web site of Health Canada's Laboratory Centre for Disease Control (LCDC) (<http://www.hc-sc.gc.ca>) or from the LCDC FAXlink service at **(613) 941-3900**.

Documentation

Once you have decided to leave Canada and have chosen a destination, make sure your passport, any visas you require and other travel documents are in order, including those concerning your status in your new country.

A valid passport is essential. It will expedite immigration procedures and is useful for other purposes, such as opening bank accounts and cashing traveller's cheques. If your passport will expire while you are abroad, make plans to renew it on time.

Be sure that, when you leave, you have copies of all essential records. You may need these later to clarify your tax status. And keep in mind that you may come home sooner than you planned.

Make sure that you know how to contact the nearest Canadian diplomatic or consular mission in the country you have chosen for retirement in case you run into difficulties.

Travel Arrangements

Canadians are generally familiar with the relatively low cost of travel to popular vacation destinations. However, these rates usually involve charter flights that originate in Canada and are available only on a seasonal basis. In addition, direct flights to Canada are not available from many popular destinations on a year-round basis.

Many countries require foreign visitors to have a valid return ticket. This means a paid ticket with a return date within the time limits allowed by immigration authorities. A full-fare return ticket with an "open" travel date is generally acceptable, but an unused return portion of a charter flight ticket is not. You may need to purchase expensive

one-way open tickets connecting through other countries to satisfy immigration authorities, even if your application for residency is pending. If you have to make an unplanned trip home for family or personal reasons, be prepared to pay several times the charter rate to which you may be accustomed.

If you have special needs when travelling, make sure that, before you go, you research the attitudes and facilities that you may encounter. You may have to make special arrangements to obtain amenities that you expect as a matter of right in Canada. Most developed countries have provisions for people with special needs. There are few places, however, where these arrangements are as advanced as they are in Canada. And in some countries, disabled people are not expected to access travel facilities and other public places at all.

Research Alternative Destinations

Are you making realistic assumptions about weather, immigration regulations and access to services?

Permanent Retirement Abroad

Retiring permanently to another country is an option for Canadians who are seeking a lower tax jurisdiction, do not intend to return regularly to Canada and can obtain adequate health-care protection.

If you are thinking of leaving Canada and taking up permanent residence in another country, you should be aware that this involves establishing a legal status within the other country that goes well beyond that of an annual tourist. You may seek either permanent residency or citizenship status, or both. Either may impose a variety of conditions and requirements, and you should be very clear about their implications. Among other consequences, Canadian consular officials in your country of destina-

tion may not be able to help you if you run into difficulties.

Immigration and Citizenship Issues

Country of Destination Regulations for Immigrants

Immigration regulations vary greatly from country to country, and it is essential that you understand them before you go.

Most countries base their immigration system on three fundamental principles:

- employment;
- investment; and
- family connections.

Some countries also recognize retirees or people with a guaranteed minimum income as potential immigrants, but this is far from universal. For example, Mexico has a special category for retirees called *inmigrante rentista*, but the United States does not recognize retirement as a valid reason for establishing permanent residency in the country.

Countries that do recognize retirement as an immigrant category generally require proof of

Assemble Documentation

Are all your travel documents, including passports and visas, in order? Do you know how to contact the nearest Canadian diplomatic or consular mission?

sufficient guaranteed income to support the retiree and any dependants. For example, Mexico requires an income of 10,000 pesos per month, and half as much for each dependant. Costa Rica requires U.S.\$600 per month.

Regardless of your country of destination, you will need proof of Canadian citizenship. A valid Canadian passport is the best form of proof, and is often required for entry. Many countries require prospective immigrants to apply before they leave Canada; others allow individuals to enter as tourists and then apply to immigrate. You should carefully research these aspects of any destination you are considering for retirement.

Canadian Citizenship

Canadian citizenship can be relinquished only through a specific act of renunciation. An individual has to apply to Citizenship and Immigration Canada and complete a form designed specifically for this purpose to begin the process of terminating Canadian citizenship.

Dual Nationality

Many countries do not recognize a person's right to have more than

one nationality (citizenship). If you were born outside Canada or, in some instances, if your parents were born outside Canada, you may be regarded as a citizen of the other country. In some cases, the laws of your country of origin may provide for the revocation of your citizenship if you become a citizen of Canada, but this is not necessarily automatic. You may have to take overt action, such as living on a permanent basis in Canada, consistently using a Canadian passport and obtaining a visa when you travel to your country of origin. In some countries, you can formally renounce citizenship.

Canadian law permits a Canadian to have more than one nationality. It is the policy of the Canadian government to encourage Canadians to use their Canadian passport when travelling abroad and always to present themselves as Canadian to foreign authorities. Canadian officials abroad will offer consular assistance to Canadian citizens wherever they can. However, their right to do so may not be recognized by local authorities in the case of Canadians who have not specified their Canadian citizenship when entering the country and in dealing with local authorities.

Taxation Issues

Overcoming Canadian Residency

You cannot terminate your Canadian citizenship or residency simply by living in another country. Moreover, becoming a legal resident of another country does not establish non-residence in Canada for tax purposes. You must demonstrate your intention to leave the country permanently. Revenue Canada determines non-resident status on a case-by-case basis, so you should consult a tax advisor about the necessary steps you should take. Retaining Canadian residency does not necessarily put you at a disadvantage. Depending on your situation, your actual tax liability could be lower

than the non-resident withholding taxes imposed on your Canadian pensions and investment income.

In general, absence from Canada for two years or longer is considered evidence of non-residence provided that you relinquish or terminate other key connections, such as:

- residences;
- bank accounts;
- credit cards;
- driver's licences;
- health-plan memberships; and
- club or professional memberships.

If you return to Canada within two years, you will probably be taxed on the income you earned while you were gone. A regular pattern of visits to Canada can be regarded as evidence of continued residency, especially if you have family connections in the country. If you retain ownership of your home, you should lease it on a non-revocable basis; if you have ongoing access to it, it may still be regarded as your residence.

Plan Your Finances

Have you allowed for Canadian withholding taxes on your pension income? Will you be subject to double taxation in your country of destination? Have you arranged to file required tax returns in Canada? Have you made allowances for additional communications and travel costs, and import duties?

Although you are not obliged to do so, as a taxpayer you may elect to submit an NR73 Residency Determination Form to Revenue Canada to see if you are regarded

as a non-resident. Further information is available from Revenue Canada's Interpretation Bulletin IT-221, *Determination of an Individual's Residence Status*, and its special release.

Non-Resident Tax Returns

Once you have become a non-resident of Canada as defined by Revenue Canada, you are no longer required to file income-tax returns. It may be in your interest to do so, however, if you have income subject to Canadian withholding tax. Withholding taxes are considered final if you do not file a return, but you may be entitled to a refund if you file a return and your taxable income is low enough.

Canadian Departure Taxes

Taxpayers who emigrate from Canada are generally deemed to have disposed of their assets at fair market value on the date they leave. Capital gains taxes, if any, are assessed at this time. Assets affected by this provision include shares in Canadian corporations, but not real estate. Deemed disposition is triggered by your declaration that you have left the country, which you make on your final income-tax return, filed by

April 30 of the year following your departure. Those with assets valued at more than \$25,000 must file a special return.

Receiving Canadian Public Pensions Abroad

Canada Pension Plan/Quebec Pension Plan (CPP/QPP) and Old Age Security (OAS) benefits can be paid to you when you are living outside the country, subject to certain conditions. You must satisfy Canada's minimum residence requirements for foreign receipt of CPP/QPP. If you have lived or worked in a country with which Canada has concluded a reciprocal social security agreement, you may qualify for social security benefits from both countries.

Canada's OAS system is intended to guarantee a minimum income to retirees, and it is subject to an income test. You can receive OAS benefits outside Canada, but you must file an annual return reporting your worldwide income.

Canadian Non-Resident Withholding Taxes

Canada imposes a withholding tax on "passive" income paid to non-residents from Canadian sources, including RRIFs, RRSPs, annuity

payments and pension plans. As of January 1, 1996, this tax applies to CPP/QPP and OAS benefits. The amount varies depending on the type of income, but it is 25 per cent for pension payments. This tax may be reduced according to the terms of tax treaties between Canada and other countries. For example, the withholding rate on pensions is 15 per cent for residents of the United States and Mexico.

Tax Treaties

The tax situation of Canadians living abroad is complicated to some extent by the fact that each country bases its income-tax system on different principles. Canada and the United States both tax factual residents on their worldwide income, and also tax non-residents on some types of domestic income. Many other countries tax only income from local sources, partly because they lack the resources to assess worldwide income. A few countries do not tax income at all, relying instead on consumption taxes and import duties.

Fortunately, the situation is simplified if you move to a country with which Canada has a tax agreement. Canada has tax conventions or agreements (commonly referred

to as tax treaties) with more than 60 countries. These tax treaties often eliminate double taxation for those who would otherwise have to pay tax on the same income in two countries. Generally, tax treaties determine how much each country can tax income such as salaries, wages, pensions and accrued interest.

If you move to a country that does not have a tax treaty with Canada, you may be subject to double taxation. You should carefully research the tax laws of your intended country of destination. If you will be taxed on your Canadian-source income, find out if the withholding taxes you pay in Canada will be credited against your tax liability in your country of destination.

Estate Tax

Canada does not levy an estate tax, but many other countries, including the United States, do. In the United States, this tax can reach 55 per cent for large estates. If you are going to become a resident of a country with an estate tax and you have substantial assets, you should consult a tax advisor in your country of destination. You may need to draw up a new will or make other arrangements.

Health-Care Issues

Canadian Provincial Health-Care Programs

Canadian provincial health-care programs provide limited coverage during temporary periods of absence from Canada. Typically, the coverage extends for three months. The level of benefits, however, may be inadequate to cover costs in some locations, especially the United States. The reason for this is that the payments allowed for out-of-country treatment are comparable to the fees paid by the provincial plans to health-care providers in Canada. These fees reflect the resources of Canada's public health-care system. In some cases, a foreign hospital may charge several times as much as your provincial program will allow. It is therefore essential that you arrange for private health-care insurance for when you are resident abroad.

Provincial health-care programs terminate eligibility after periods of prolonged absence from Canada, typically six months. In most cases, you must be physically present in your Canadian province of residence for 183 days of each calendar year to maintain your health-care coverage. The

rationale for this is that, when you are out of the country, you are not paying provincial sales tax or the Goods and Services Tax, both of which help to pay for medical care.

If you lose your provincial health-care coverage, there is a waiting period to requalify after you return. In most provinces, this period is three months. Supplementary private insurance sold in Canada generally will not cover you during this period, because such policies are usually issued on the condition that you maintain eligibility under provincial plans.

Arrange Health-Care Coverage

What will you do if you have an accident or become ill? Are you prepared for emergency repatriation?

Have you checked the provisions of your provincial health-care plan?

In some provinces, you can avoid the requalification period by waiving your right to coverage while you are out of the country. This way, you will be covered immediately upon your return, even though you were out of the

country for more than six months. Before leaving Canada, you should check with your provincial health-care authorities to make sure you fully understand how your health-care coverage will be affected.

Health-Care Programs in Your New Country of Destination

Health care is a serious issue for Canadian expatriates because few countries have systems that are as comprehensive or as inexpensive for the user as Canada's. Some developed countries have comprehensive health-care plans that will cover you, after a waiting period, if you immigrate. But the countries that are the major destinations for Canadian retirees generally do not offer comparable programs. Private health care in

the United States presents particular problems because the Health Management Organization (HMO) system that covers the majority of Americans is generally restricted to U.S. residents with a social security number. Even then, unrestricted coverage usually ceases at age 65, when the Medicare system begins its coverage.

Many developing countries provide free universal medical care to citizens and permanent residents. Mexico, for example, has a national health-care program. But most Canadians living in these countries seek private medical care, which many consider to be of a higher quality and which involves shorter waiting periods. Private health-care facilities are fairly advanced in most countries, and a private hospital or clinic will usually see you immediately, for a fee approaching the cost of similar services in the United States.

Faced with these trade-offs, most Canadians choose the private alternative and make sure they are well covered by insurance.

Private Health-Care Insurance

There are two types of private health-care insurance. Supplementary insurance provides supplement-

Coping with Culture Shock

Learn the Language

Take time to learn the local language. It will make your daily life easier and will signal to the local people that you want to be part of their community. Start with a few phrases and then systematically expand your vocabulary.

tary benefits for people who are covered by a Canadian provincial health-care plan (see page 22 of this booklet). Replacement insurance provides coverage for those who are ineligible for provincial plans.

Replacement Insurance

If you will be living outside Canada for long enough to lose your provincial health-care coverage, you will need full replacement coverage and not just supplementary benefits. You may elect to waive your temporary out-of-country coverage if your provincial plan allows it, since you will need replacement coverage from the date of departure anyway.

Full replacement insurance is less readily available than supplementary insurance, but there are a number of companies that provide insurance specifically designed for expatriates. An Internet search on the key words "global expatriate health insurance" produces the names of several alternative providers. You should arrange for replacement insurance before you leave, but be aware that you may not be able to obtain appropriate coverage from a Canadian company. Most of these policies reserve the right to repatriate you to a

country for which you hold a passport in the event of serious illness or injury, and they may not pay for treatment in Canada. This is another reason for waiving your out-of-country coverage when you leave.

All such policies place some limitations on pre-existing medical conditions and have age restrictions. It is possible, however, to obtain coverage from an international provider with no forced repatriation provision that will cover you up to age 75, with limited coverage for pre-existing medical conditions. The premiums for such a policy are in the neighbourhood of U.S.\$10,000 per year for each covered person at the higher end of the age range.

Real-Estate Issues

For many Canadians, owning their own home is part of their dream of an ideal retirement. This is also a practical issue since good rental accommodation is expensive in many popular destinations, especially as furnished homes are often the norm for expatriates. While it is prudent to rent for a time before you decide on a particular location, purchasing a condominium or a house is an option you may want to consider.

Property Ownership

Purchasing property in some countries can be risky because of the difficulty in obtaining clear title. Careful research and professional legal representation are essential to prevent you falling victim to unscrupulous operators. In some countries, you can also buy title insurance.

The right of foreigners to buy certain property is restricted in some countries. In Mexico, for example, Canadians and other foreigners require special permits to buy land. They cannot own land within a 100-kilometre band along the borders or a 50-kilometre zone along the coasts. In addition, they cannot own mineral or water rights. They may, however, set up trusts to hold restricted property for them.

It is difficult for foreigners who are not locally employed to

obtain conventional mortgage financing in most countries. If you still have Canadian residency status, your Canadian bank may extend a personal loan based on your Canadian assets and your credit rating at home, but in general the terms are not nearly as favourable as they are for mortgages.

Condominiums

In principle, condominiums offer many advantages to retirees. External maintenance is handled on a shared basis, and it is relatively safe to leave units unoccupied for fairly extended periods. On the other hand, condominiums can entail serious risks in countries with little experience in administering the relevant laws. You cannot assume that condominium by-laws drafted by property developers will actually be enforceable. Indeed, some restrictions, such as those prohibiting occupancy by children, may contravene local laws. Condominiums in developing countries tend to be occupied by foreigners from many parts of the world, who may have very different ideas from yours about the use of common property. Many condominiums have rental units available, and leasing one before buying is a good way

Coping with Culture Shock

Travel

Visit other parts of the country in which you are living. This will raise your awareness of local history and culture and make you feel more at home.

to check out not only the property, but also the community.

Real-Estate Agents and Lawyers

Few developing countries regulate real-estate agents and lawyers as rigorously as Canada does. In most parts of Latin America and the Caribbean, for example, real-estate agents require no formal qualifications or training and are not prevented from promoting sales in which they have an undisclosed personal interest. Similarly, regulations governing conflicts of interest by lawyers may be much less stringent than they are in Canada. Moreover, the authorities may not take complaints from foreigners seriously, especially if the agent or lawyer is an established member of the local community.

You should therefore be very careful about accepting claims regarding property that you have not checked out yourself. Such claims as "beach access" may turn out to be fictitious and you could find yourself without any recourse. Do not sign anything that has not been carefully examined by your own lawyer. If possible, try to retain a Canadian lawyer with expertise in the laws of your country of destination. If you have trouble locating an English- or French-speaking local lawyer, the nearest Canadian diplomatic or consular mission can provide you with a list of reputable lawyers who speak English or French. You can also seek out other Canadians in the area and ask for a recommendation.

Seasonal Recommendations

Many Canadians for whom the principal motivation for retiring abroad is climate elect to maintain their Canadian residency and spend several months of each year in a warmer place. The southern United States is a very popular destination for these so-called "snowbirds" because it offers the advantages of geographical prox-

imity and cultural affinity. Florida and Arizona, in particular, have substantial winter populations of Canadians, as do a number of other "sun belt" states. Bermuda and the Bahamas offer the advantage of proximity for Canadians who can afford the higher cost of living in those countries. Those seeking a lower cost of living often

choose Mexico, Costa Rica or other places in Latin America and the Caribbean. Destinations in the Southern Hemisphere, such as Australia, New Zealand and Chile, while farther away, offer "snowbirds" the possibility of an endless summer.

Immigration and Citizenship Issues

Country of Destination Regulations for Visitors

Retirees who live in another country for less than six months each year can simply visit that country as tourists. Most countries welcome Canadian visitors who come for recreational purposes, and a valid passport is usually the only requirement.

The United States does not require Canadian visitors to have a visa. The only requirement is that the immigration officer at the port of entry is satisfied that your trip is for recreational purposes, and you must maintain your tourist status while you are there.

Mexico is also open to seasonal Canadian visitors. A Mexican tourist card, which is technically a *Forma Migratoria de Turista (FM-T)* visa, is good for 180 days

and can be obtained at any port of entry.

Many countries have more stringent limitations on the length of time visitors may stay. For example, the Bahamas permits visitors to stay up to a total of eight months a year, but each entry is limited to four months or less. Costa Rica allows visitors to stay for up to 90 days. Some countries issue initial tourist visas for as little as 30 days. In some cases, you can lengthen your stay by applying for an extension from within the country, but this is not always possible. Mexico, for example, will extend tourist visas beyond 180 days only for emergency medical reasons.

Many Canadians are reluctant to settle in a country where they have the right of entry only as tourists, especially if they are planning to purchase a home. Some people deal with this issue by applying for residency status, even though they intend to maintain their Canadian residency. In Canada, residency is a matter of fact, not law, whereas in many other countries a resident is a person who has a resident visa or residency permit but does not actually reside in that country for a significant time. Taking out legal

residency in another country does not interfere with your Canadian residency.

Holding resident status in the country where you maintain your winter home eliminates limitations on the length of your stays there. It also gives you reasonable assurance that you will be allowed entry, usually without a return ticket. In some cases, you may also be allowed annual duty-free exemptions.

Voting

Canadian citizens can, under certain conditions, vote in Canadian elections when they are temporarily living abroad. The general requirement is that your last stay in Canada was within the previous five years, and your intention is to resume your Canadian residency. In order to vote, you must first register at a Canadian diplomatic or consular mission, and you will be required to provide proof of Canadian citizenship. You will then be provided with a voting kit for an election, by-election or referendum. The onus is on you as the voter to return the ballot in time for it to be delivered in Canada on the day of the election. For further information, you can contact Elections

Canada at **1-800-463-6868** (in Canada and the United States) or **(613) 993-2975**, or through the Internet (<http://www.elections.ca>).

Provide for Return Travel

Do you have prepaid return tickets with open return dates?

Taxation Issues

Maintaining Canadian Residency

The concept of Canadian residency is a taxation issue and not an immigration matter. A person is considered a factual resident of Canada if he/she "sojourns" in Canada for 183 days a year or more. Once you have established a home and have been employed in Canada, you cannot lose this residency status simply by leaving the country. You must permanently and overtly sever your Canadian connections and declare your departure on your final income-tax return. "Snowbirds," therefore, do not have to worry about accidentally forfeiting their Canadian residency, regardless of their immigration status.

Taxation

People who spend part of the year in another country but maintain their residence in Canada pay Canadian income taxes as if they had never left. Nonetheless, taxation issues arise if the other country imposes its own taxes. If you spend your winters in a country that has a tax treaty with Canada, such as the United States or Mexico, you are protected from double taxation, even though you may have to file tax returns in both countries. If you are spending part of each year in a non-treaty country, you should do your own research to find out what your tax situation is. The principal question is whether, as a retiree, your Canadian-source pension and investment income will be taxed. Some countries impose taxes on income from the rental of your home in the off-season.

You can obtain a list of tax treaty countries by calling Revenue Canada at **1-800-461-9999** (in Canada) or **(613) 952-3741**, or by consulting Revenue Canada's Web site (<http://www.rc.gc.ca>). A helpful guide for Canadian "snowbirds" in the United States, entitled *Canadian Residents Going Down South*, is available from Revenue Canada, and can be

found on-line (<http://www.rc.gc.ca/E/pub/tg/p151ed/p151ed.html/>).

United States Tax Returns

The U.S. tax situation is worthy of special mention because parts of the United States are so popular as destinations for Canadian "snowbirds." Under certain circumstances, Canadian residents who spend part of the year in the United States may have to file U.S. tax returns. People who spend more than 30 days in the United States in a calendar year, and do not have the right of permanent residence (sometimes called a "green card"), are considered "aliens." An alien may be classified as resident or non-resident. In general, non-resident aliens are required to pay tax only on certain U.S.-source income. Resident aliens are liable for tax on their worldwide income.

Regardless of the protection that the Canada–United States tax treaty provides, it is important for you to know whether you are considered resident or non-resident by the U.S. Internal Revenue Service (IRS). This is determined according to a calculation known as the "substantial presence test," which is based on a weighted average of

the number of days you spend in the United States over a three-year period.

Assess Your Reasons for Leaving

Are you ready to live in a different culture?

You can apply for an exemption from the substantial presence test by demonstrating that you maintain a more substantial connection to another country. If you are a permanent resident of Canada and have family and economic ties at home, you should be able to qualify. If you wish to claim this exemption, you must file an IRS Form 8840, *Closer Connection Exception Statement*, before the end of June each year; otherwise, you lose the right to claim this exemption. If you qualify, you may remain in the United States for up to 182 days each year without becoming a resident alien.

If you become a resident alien, you must file a U.S. tax return; if you are a non-resident alien, you must file a tax return only if you have income from certain U.S.

sources. The most common U.S. income source for “snowbirds” is the off-season rental of their southern homes. If you have this type of income, it is considered “not connected” with your presence in the United States and is taxed at a flat 30 per cent of the gross return. If you dispose of U.S. real estate, it is subject to capital gains tax.

If you are required to file a U.S. tax return, you must first apply for an IRS individual taxpayer identification number. However, you may be eligible for relief from U.S. taxes under the Canada–United States tax treaty, since you will also have to declare that income and pay appropriate taxes in Canada. You can obtain more information on this subject from IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Form 8833, *Treaty-Based Return Position Disclosure Under Section 6614 or 7701(b)*.

Health-Care Issues

Canadian health care is mainly a provincial matter, and each province’s health-care plan has its own residency requirements. A typical requirement is that you are physically present in the province for at least six months a year.

These requirements are not related to residency for tax purposes. You can lose your entitlement to provincial health care and still be liable for both federal and provincial income taxes. If you lose your provincial health-care coverage, you may have to wait three months to requalify for coverage after your return. Check with your provincial health-care authorities to find out the specific conditions that will apply to you. Ask for information on the length of time you can be out of the country without losing your health-care coverage.

Supplementary Insurance

Even if you plan to return to Canada soon enough to avoid losing your provincial health-care coverage, it is still advisable to have private health-care insurance, mainly to cover the extra cost of medical services received abroad. Supplementary insurance offers benefits for people covered by a Canadian provincial health-care plan. This type of insurance is relatively inexpensive since it covers only unexpected short-term health problems. You are expected to return to Canada for treatment of pre-existing medical conditions or long-term health problems. Most of these policies

include coverage for emergency evacuation to Canada and, in many cases, evacuation is mandatory for serious problems. You can claim the cost of foreign medical expenses, including insurance premiums, as an income-tax deduction.

You should obtain supplementary insurance before you leave Canada. Check the following points when purchasing such health-care insurance:

- Will the insurance plan pay foreign hospital and related medical costs directly?
- Is medical evacuation to Canada covered?
- Are pre-existing medical conditions covered?
- Will the insurer provide the cash deposits required by some hospitals?
- Are costs associated with a death abroad, including the return of remains to Canada, covered?
- Is service available on a round-the-clock basis?

Some travellers' insurance packages also cover flight cancellations for medical reasons.

Real-Estate Issues

Foreign Property Reporting Rules

Canadian residents who own property abroad are required to report their foreign assets to Revenue Canada. This is a recent provision, designed to ensure that residents declare capital gains and interest

on foreign assets on their Canadian income-tax returns. The regulations were originally introduced in 1996, but implementation was delayed, and the first reporting deadline is now April 30, 1999. All Canadian taxpayers with foreign property valued at more than \$100,000 are required to report their holdings, and there are substantial penalties for non-compliance.

Staying in Touch

No matter how attractive a foreign destination may seem at first, most expatriates find that they are more dependent than ever on contact with family and friends. Others find that news from home is a stabilizing influence, at least while they are becoming accustomed to being foreigners in another country. However, you should not assume that telecommunications and mail systems will be as efficient as they are in Canada.

Telephone

Canada has one of the best telecommunications systems in the world; the service available in many other countries is unreliable and expensive in comparison. You should not assume that you will

be able to obtain a telephone line right away. Some countries require large cash deposits, especially for foreigners, and the wait for a line can sometimes run into months; second lines for faxes or Internet connections may be very difficult to obtain. You may wish to use the *Canada Direct* or AT&T Canada services if they are available.

Coping with Culture Shock

Stay in Touch

Maintain contact with family and friends back home. Sharing your experiences and problems can help you adapt to the local environment.

Mail

Mail systems tend to be very slow and unpredictable in most developing nations. Another fact to be borne in mind is that magazine subscriptions usually cost two or three times as much outside Canada and the United States. In many cases, it is more practical to have your mail sent to a forwarder in Canada or the United States and have it sent periodically by courier.

Internet

Access to the Internet is now widely available around the world, but is limited by the quality of local telephone lines and by satellite bandwidth. Be prepared to make repeated calls to get a connection and do not expect to be

able to handle the large volume of information that you would in Canada. You can obtain a list of providers around the world from the Internet (<http://thelist.internet.com/countrycode.html>).

Television and Radio

Canadian news and public affairs programs are available on the DirectTV direct-to-home satellite system, which is based in the United States. These programs are also accessible via satellite in many parts of Latin America and the Caribbean, and in some other areas of the world. Canadian radio is available in many parts of the world via the CBC short-wave service. CBC programs can also be heard over the Internet where there is sufficient local bandwidth. TV5 broadcasts news in French.

Consular Registration

If you plan to be a resident of another country for three months or more, you are encouraged to register with the nearest Canadian diplomatic or consular mission. This will make it easier for consular officials to contact you in the event of a personal or other emergency. Registration is voluntary; registration forms are

available from any Canadian mission, and the information you provide is not shared with any other Canadian government department. Refer to the Department of Foreign Affairs and International Trade's publication, *Bon Voyage, But...* or the Department's Web site (<http://www.dfait-maeci.gc.ca>) for a complete list-

ing of the Canadian diplomatic and consular missions abroad, and obtain the details for your country of destination. Keep in mind, however, that your Canadian citizenship does not exempt you from any local laws or regulations.

Moreover, Canadian officials may not be able to help you at all if you have acquired local status, such as citizenship.

Canadian consular officials can help you with any of the following:

- contacting relatives at home in case of an emergency;
- dealing with medical emergencies;
- coping with situations such as natural disasters and civil or military conflict;

- accessing sources of information about local laws, regulations and customs;
- replacing passports; and
- dealing with local authorities if you are arrested.

Canadian missions offer 24-hour emergency assistance. During non-office hours, a telephone call you make to a mission will be automatically transferred to a consular officer in Ottawa or you will be asked to leave a message on an answering machine. In either case, there will be a prompt response. You can also contact the Department of Foreign Affairs and International Trade in Ottawa at **(613) 996-8885**.

Returning to Canada

If you have established any form of legal status in another country, you may be expected to obtain departure clearance before returning to Canada. Some countries, for example, require a statement from tax authorities that you have met all your obligations; others terminate residency permits if you leave the country for an extended period. These rules are typically enforced by inspection of your travel docu-

ments on departure. You should also be prepared to pay airport departure taxes in local currency when you leave, and in any countries that you pass through on your way back to Canada.

With regard to bringing goods into Canada, the same provisions apply to everyone; there are no special benefits for Canadian residents who go south for the winter.

Everything acquired abroad must be declared, including any repairs made to your vehicle while you were away. Keeping receipts for major purchases is advisable. Any valuable items that you took with you when you left Canada should have been declared to Canada Customs on your departure.

Canadian residents who have been away from Canada for 24 hours or more can bring back goods worth up to \$50 without paying duties or taxes; after 48 hours away the limit is \$200, and after seven days away it is \$500. You can include up to 40 ounces (1.14 litres) of liquor or wine, or a case of 24 bottles/cans of beer, each containing 12 ounces (355 millilitres). You can also include up to 200 cigarettes, 50 cigars or cigarillos, 200 tobacco sticks or 200 grams of manufactured tobacco.

Canada imposes special restrictions on a variety of imported goods. They include meat and dairy products, weapons, plants, vehicles and environmentally harmful products, as well as exotic animals and goods based on their exploitation. Check in

advance with Canada Customs if you plan to import any articles in these categories. It is illegal to bring obscene materials or hate propaganda of any kind into the country.

Depending on how long you have resided outside Canada, on your return you may be subject to special import provisions for household items and personal belongings. Details of these provisions can be found in the brochure *Moving Back to Canada?*, available from Revenue Canada.

If you have any doubts about what you are allowed to bring back, you can call Revenue Canada's information service at **1-800-461-9999** (in Canada) or **(613) 993-0534**.

Where to Obtain Information

**Department of Foreign
Affairs and International
Trade**

For consular assistance
and emergency consular
services:

Tel.: 1-800-267-6788 (in Canada)
or (613) 996-8885

Fax: (613) 995-9221
or (613) 943-1054

For travel information:

Tel.: 1-800-267-6788 (in Canada)
or (613) 944-6788

Fax: 1-800-575-2500 (in Canada)
or (613) 944-2500

For publications:

The Department produces a
number of free publications on
safe travel. To order copies, call
1-800-267-8376 (in Canada) or
(613) 944-4000, or access them
on the Internet ([http://www.
dfait-maeci.gc.ca](http://www.dfait-maeci.gc.ca)).

*Bon Voyage, But... Information
for the Canadian Traveller*

*Canadian Performers: How to
Enter the United States*

*China: Visiting and Working in the
Middle Kingdom*

*Crossing the 49th: A
Compendium of the Bumps on
the Road for Canadians Going
South*

*A Guide for Canadians
Imprisoned Abroad*

*Her Own Way: Advice for the
Woman Traveller*

*International Child Abductions:
A Manual for Parents*

*México: ¿Qué pasa? A Guide for
Canadian Visitors*

*Working Abroad: Unravelling
the Maze*

Country Travel Reports
Travel reports offer travellers
current information on conditions
in over 170 countries, including
safety, health and passport
requirements. They are
available via telephone at
1-800-267-6788 (in Canada)
or **(613) 944-6788**; a FaxCall
system at **1-800-575-2500**
(in Canada) or **(613) 944-2500**;
or the Travel section at the

Department's Internet site (<http://www.dfait-maeci.gc.ca>). These services are available 24 hours a day, seven days a week.

Citizenship and Voting Issues

Application forms for Canadian passports are available at passport offices, Canadian diplomatic and consular missions abroad, travel agencies, and the North West Company through its network of Northern Stores in communities in the Far North. There are separate forms for adults and children, both available in English or French. You should allow at least three weeks for delivery of your passport. If you have any questions about passports, call **1-800-567-6868**. Locally you can call:

Montreal (514) 283-2152
Ottawa-Hull . . . (613) 994-3500
Toronto (416) 973-3251
Vancouver (604) 775-6250
Visual ear (819) 994-3560

Mailed-in applications should be sent to: Passport Office, Department of Foreign Affairs and International Trade, Ottawa, ON K1A 0G3.

Citizenship and Immigration
Canada
Public Affairs Branch
365 Laurier Avenue West
19th Floor
Ottawa, ON K1A 1L1
Tel.: (613) 954-9019
Internet: <http://cicnet.ci.gc.ca>

Elections Canada
Enquiries Unit
Tel.: (613) 993-2975
Canada and the United States:
1-800-463-6868
Internet: <http://www.elections.ca>

Coping with Culture Shock

Make Friends

Make an effort to meet others. Interacting with local people will help you learn about their culture and will demonstrate your commitment to becoming part of the community.

Taxation Issues

Revenue Canada's International Tax Services Office processes income-tax returns for non-residents and deemed residents of Canada, including Canadians posted overseas. It

also looks after all non-resident tax withholding accounts. The office provides general assistance by telephone, correspondence and counter service.

International Tax Services Office
2204 Walkley Road
Ottawa, ON K1A 1A8

Tel.: (613) 952-3741 (English)
(613) 954-1368 (French)

Non-resident withholding
accounts: (613) 952-2344
(English and French)

Fax: (613) 941-2505

Canada and the United States:
1-800-267-5177

Internet: <http://www.rc.gc.ca>

Customs and Excise has a year-round, 24-hour telephone service to answer questions about what you can and cannot bring back to Canada. Call **1-800-461-9999** (in Canada) or **(613) 993-0534**; collect calls will be accepted.

Revenue Canada also has a number of publications to assist the Canadian traveller.

Canadian Residents Abroad

Canadian Residents Going Down South

These publications are available free of charge from Revenue Canada's International Tax Services Office at the address and telephone numbers listed on this page.

I Declare

Moving Back to Canada?

These publications may be obtained free of charge by writing to: Communications Branch, Revenue Canada, Customs and Excise, Ottawa, ON K1A 0L5; by calling **1-800-461-9999** (in Canada) or **(613) 993-0534**; or by contacting your local Customs office.

Copies of all these publications are also available from Canadian diplomatic and consular missions abroad.

Health-Care Issues

Health Canada provides information for travellers through a network of public and private health and travel clinics across the country. Information on the clinic nearest you may be obtained by telephone at **(613) 957-8739**; by FAXlink at **(613) 941-3900**; or through the Internet (**<http://www.hc-sc.gc.ca/hpb/lcdc>**).

The World Health Organization publishes *International Travel and Health*. This book may be obtained for approximately \$21.42, plus GST and shipping costs, by writing to: Canadian Public Health Association, 1565 Carling Avenue, Suite 400, Ottawa, ON K1Z 8R1 or by calling **(613) 725-3769**, ext. 190. The Association also publishes *Don't Drink the Water: The Complete Travellers' Guide to Staying Healthy in Warm Climates*.

Health Information for Canadian Travellers may be obtained free of charge by writing to: Canadian Society for International Health, 1 Nicholas Street, Suite 1105, Ottawa, ON K1N 7B7; by calling **(613) 241-5785**; or by accessing the Internet (<http://www.csih.org>).

Coping with Culture Shock

Pursue Favourite Activities

Spend time enjoying your favourite music or hobbies. Doing things that remind you of home can boost your spirits and help you adjust to living in a different culture.

Provincial Contacts for Health-Care Insurance and Medical Care

Alberta

Alberta Health
724-7th Avenue S.W.
Calgary, AB T2P 0Z5
Tel.: (403) 297-6411

Alberta Health
10025 Jasper Avenue
P.O. Box 1360
Edmonton, AB T5J 2N3
Tel.: (403) 427-1432

British Columbia

Medical Services Plan
1515 Blanchard Street
P.O. Box 9035
Victoria, BC V8W 9E3
Tel.: (250) 952-3456
Toll-free: 1-800-663-7100
(within British Columbia)

Ministry of Health
Acute and Continuing Care
Program
1515 Blanchard Street
Victoria, BC V8W 3C8
Tel.: (250) 952-3456
Lower mainland: (604) 669-4211

Manitoba

Manitoba Health
P.O. Box 925
Winnipeg, MB R3C 2T6
Tel.: (204) 786-7350

New Brunswick

Department of Health and
Community Services
520 King Street
P.O. Box 5100
Fredericton, NB E3B 5G8
Tel.: (506) 453-2283

Newfoundland

Department of Health and
Community Services
Confederation Building
P.O. Box 8700
St. John's, NF A1B 4J6
Tel.: (709) 729-3105

Newfoundland Medical Care
Commission
Elizabeth Towers
100 Elizabeth Avenue
P.O. Box 200, Station A
St. John's, NF A1C 5J3
Tel.: (709) 758-1500

Northwest Territories

Department of Health and
Social Services
Government of the Northwest
Territories
7th Floor, Centre Square Tower
Yellowknife, NT X1A 2L9
Tel.: (867) 920-8931

Nova Scotia

Department of Health
Joseph Howe Building
1690 Hollis Street
P.O. Box 488
Halifax, NS B3J 2R8
Tel.: (902) 424-7538

Medical Services Insurance
P.O. Box 500
Halifax, NS B3J 2S1
Tel.: (902) 468-9700

Ontario

Ministry of Health
Head Office
Macdonald-Cartier Building
49 Place D'Armes
Kingston, ON K7L 5J3
Registration and Claims Branch
Tel.: (613) 548-6240
Provider Services Branch
Tel.: (613) 548-6716
Health Information Centre
Tel.: 1-800-268-1154

Prince Edward Island

Department of Health and
Social Services
35 Douses Road
P.O. Box 3000
Montague, PE C0A 1R0
Tel.: (902) 368-5858

Quebec

Ministère de la Santé et
des Services sociaux
Edifice Catherine-De Longpré
1075 chemin Ste-Foy
Quebec, QC G1S 2M1

Tel.: (418) 643-3380

Toll-free: 1-800-707-3380
(from other Quebec communities)

Régie de l'assurance-maladie
du Québec
P.O. Box 6600

Quebec, QC G1K 7T3

Tel.: (418) 646-4636

Montreal: (514) 864-3411

Toll-free: 1-800-561-9749
(from other Quebec communities)

Saskatchewan

Saskatchewan Health
T.C. Douglas Building
3475 Albert Street
Regina, SK S4S 6X6

Tel.: (306) 787-3251

Toll-free: 1-800-667-7551
(from other Saskatchewan
communities)

Yukon

Department of Health and
Social Services
Health Services Branch
P.O. Box 2703
Whitehorse, YT Y1A 2C6

Tel.: (867) 667-5209

If you require urgent assistance
abroad, call the Department of
Foreign Affairs and International
Trade in Ottawa at
(613) 996-8885.



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